

**STATEMENT OF REPRESENTATIVE GARY L. ACKERMAN
HOUSE FINANCIAL SERVICES COMMITTEE**

**HEARING ENTITLED
"PROTECTING INVESTORS AND FOSTERING EFFICIENT MARKETS:
A REVIEW OF THE SEC AGENDA"**

WEDNESDAY, MAY 3, 2006

Good morning. I want to thank Chairman Oxley and Ranking Member Frank for holding this important hearing. I would also like to welcome Chairman Cox back to the committee; its good to see you and I look forward to your testimony.

I am particularly interested in hearing about your efforts to improve financial disclosures so that individual investors will be able to better understand the financial information surrounding securities they own or are considering buying. With more than half of all Americans currently owning stock, either directly or through a mutual fund, it is essential that we provide these investors with resources they can understand so that they are able to make informed decisions.

I am pleased to see that the SEC's "war on complexity" includes changes to the disclosure requirements for executive compensation, and I believe that this rule is a step in the right direction, but I am concerned that the proposed rule may not go far enough. It is no secret that compensation for corporate executives has skyrocketed over the past few years. What concerns me is how the incentives contained in these elaborate executive agreements may impact a company's shareholders over the long run. Since these compensation packages are often tied to a company meeting certain thresholds, such as earnings requirements, an executive may use aggressive accounting practices in order to meet investor expectations. The executive will get their pat on the back and cash in their bonus, but if the company is later forced to restate its earnings, the shareholders end up paying the price as they watch the value of their stocks plummet. As we all know, shareholders are the owners of public companies, which means these executives work for them, and yet the shareholders remain powerless in these situations. Something must be done to remedy this inadequacy.

I look forward to hearing from Chairman Cox, and again welcome him back to the committee.